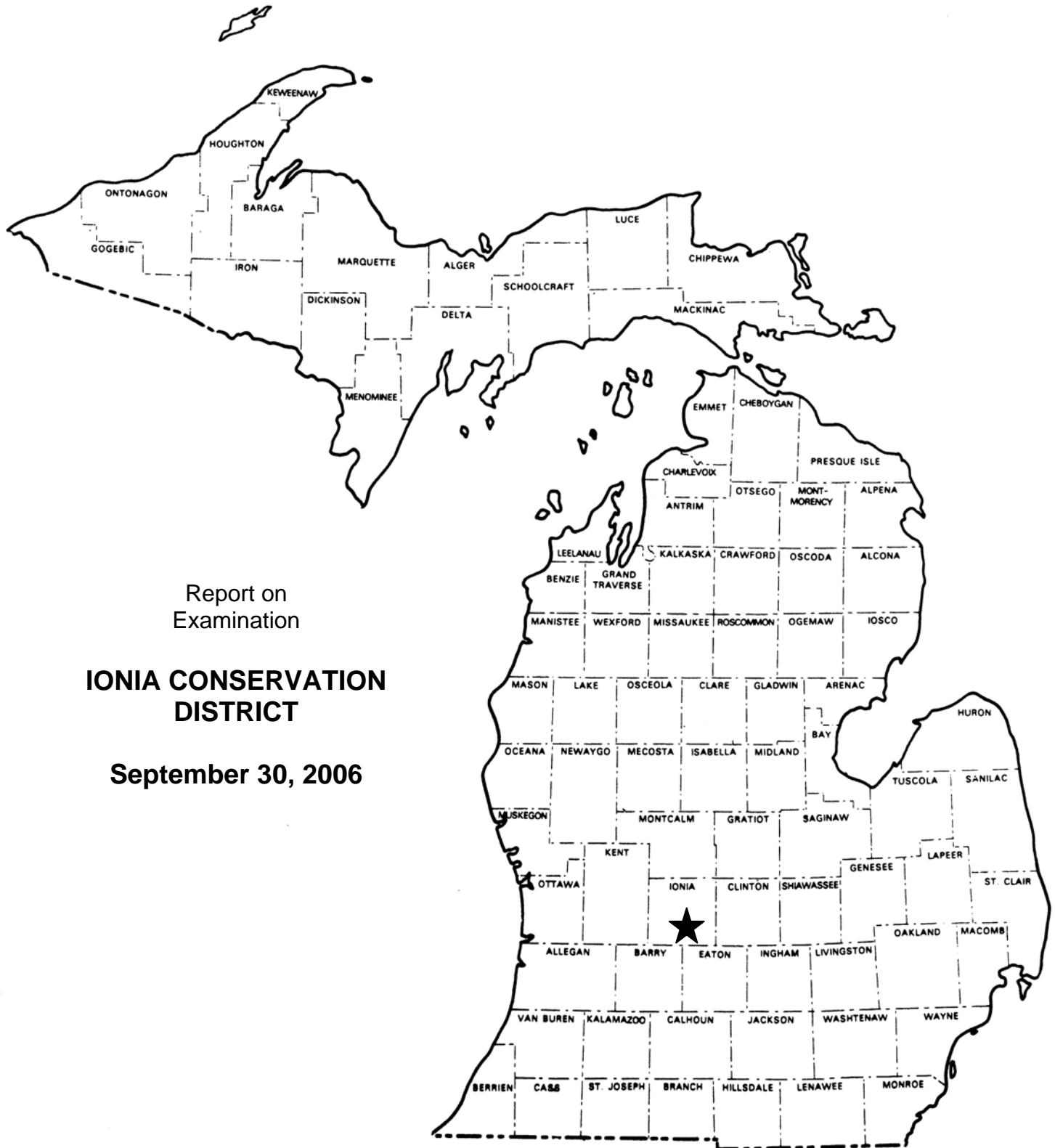


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY



IONIA CONSERVATION DISTRICT

BOARD OF DIRECTORS

Sara Possehn
Chairperson

Terry Walkington
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Director

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Director



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

November 30, 2006

Board of Directors
Ionia Conservation District
431 Swartz Court #300
Ionia, Michigan 48846

Independent Auditor's Report

Dear Directors:

We have audited the accompanying basic financial statements of the Ionia Conservation District, Ionia, Michigan, as of and for the year ended September 30, 2006, as listed in the Table of Contents. These financial statements are the responsibility of the Ionia Conservation District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ionia Conservation District, as of September 30, 2006 and the changes in financial position and the budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2006, on our consideration of the Ionia Conservation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 1 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Ionia Conservation District's basic financial statements. The accompanying supplementary and related information presented as Exhibits D and E has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

IONIA CONSERVATION DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
MANAGEMENT’S DISCUSSION AND ANALYSIS	1
<u>BASIC FINANCIAL STATEMENTS</u>	
EXHIBIT A--Governmental Funds Balance Sheet and Statement of Net Assets	6
EXHIBIT A-1--Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	7
EXHIBIT B--Statement of Governmental Fund Revenue, Expenditures and Changes in Fund Balances and Statement of Activities	8
EXHIBIT B-1--Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities	9
EXHIBIT C--Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--General Operating Fund	10
NOTES TO FINANCIAL STATEMENTS	11
<u>SUPPLEMENTARY INFORMATION</u>	
EXHIBIT D--Schedule of Revenues--Budget and Actual General Operating Fund	16
EXHIBIT E--Schedule of Expenditures--Budget and Actual General Operating Fund	17
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	18
Comments and Recommendations.....	20

IONIA CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

The Ionia Conservation District's discussion and analysis is designed to: a) assist the reader in focusing on significant financial issues; b) provide an overview of the Conservation District's financial activity; c) identify changes in the Conservation District's financial position (its ability to address the next and subsequent year challenges); d) identify any material deviations from the approved budget; and e) identify any issues or concerns.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Conservation District.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Conservation District's overall financial status. These statements report information about the Conservation District, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the Conservation District's net assets and how they have changed.
- The remaining statements are fund financial statements that focus on individual funds; reporting the operations in more detail than the government-wide statements.

Reporting the Conservation District as a Whole

The Statement of Net Assets and the Statement of Activities report information about the Conservation District, as a whole, and about its activities in a way that helps answer the question of whether the Conservation District, as a whole, is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above, report the Conservation District's net assets and changes in them. The reader can think of the Conservation District's net assets (the difference between assets and liabilities) as one way to measure the Conservation District's financial health or financial position. Over time, increases and decreases in the Conservation District's net assets are one indicator of whether its financial health is improving or deteriorating.

IONIA CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Reporting the Conservation District's Major Fund

The fund financial statements begin on page six and provides detailed information about the major fund. The Conservation District currently has only one fund, the General Operations Fund, in which all of the Conservation District's activities are accounted. The General Operations Fund is a governmental type fund.

- Governmental Fund--The governmental fund focuses on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Conservation District's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Conservation District's services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in a reconciliation following the fund financial statements.

The Conservation District as a Whole

The Ionia Conservation District provides informational and educational activities that promote the understanding and implementation of natural resource conservation. Therefore, the Conservation District is involved in many educational and conservation programs such as: tree distribution, no-till drill, grass/wildflower seed distribution, backyard nature scaping, wildlife habitat, adult workshops, classroom presentations, project wet, project learning tree, and the Water Festival.

The Conservation District does not have an investment in capital assets.

IONIA CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Conservation District's net assets for the governmental funds increased \$7,660 from a year ago for the governmental activities due to a reduction in the number of employees. In a condensed format, the table below shows a comparison of the net assets as of the current year to the prior year.

	Governmental Activities 2005	Governmental Activities 2006	Difference	Percent
Current Assets	\$ 19,658	\$ 23,013	\$ 3,355	17%
Total Assets	19,658	23,013	3,355	17%
Current Liabilities	6,990	2,685	(4,305)	-62%
Total Liabilities	6,990	2,685	(4,305)	-62%
Net Assets				
Unrestricted (Deficit)	12,668	20,328	7,660	60%
Total Net Assets	\$ 12,668	\$ 20,328	\$ 7,660	60%

Changes in Net Assets

Revenue was affected by changes in product demand due to offered Farm Bill programs. Specific services of seed and drill were down as a result. It was also affected by cuts of the Operations Grant and TSP Grant. Expenses increased due to the board's decision to increase district activities and keep public awareness by offering more educational programs at no or low cost to the participant.

A summary of changes in net assets for the year ended September 30, 2006 follows:

	Governmental Activities 2005	Governmental Activities 2006	Difference	Percent
Program Revenues				
Charges for Services	\$ 54,470	\$ 65,711	\$ 11,241	21%
Operating Grants and Contributions	31,469	33,850	2,381	8%
General Revenues				
Unrestricted Investment Earnings	382	221	(161)	-42%
Other Revenue	280	2,587	2,307	824%
Total Revenues	86,601	102,369	15,768	18%
Program Expenses				
Community and Economic Development	108,663	96,928	(11,735)	-11%
Total Expenses	108,663	96,928	(11,735)	-11%
Change in Net Assets	\$ (22,062)	\$ 5,441	\$ 27,503	-125%

IONIA CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Conservation District's Fund

The Conservation District's General Operations Fund is used to control the expenditures of grant monies which are earmarked by law for the conservation of natural resources of the State, including soil, water, farmland, and other natural resources.

For the year ended September 30, 2006, the fund balance of the General Operations Fund increased by \$7,311 as compared to an decrease of \$19,843 in the fund balance for the year ended September 30, 2005. Total operating revenues were \$102,369, an increase of \$15,768 as compared to last year, which was primarily the result of a increase in charge for services comprised mostly of tree sales.

Total expenditures of \$95,058, equaled a decrease of \$11,386 as compared to last year. This change in expenditures is primarily the result of a decrease in wages for the loss of an employee that was grant funded.

Budgetary Highlights

Prior to the beginning of any year, the Conservation District's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Conservation District's Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews all expenditures throughout the year.

The final revenue budget for 2006 was less than the actual revenue by \$643. This was due to the timing of payments for the operating grant.

The Conservation District's final expenditures were projected at \$95,253, while actual expenditures were \$95,058, resulting in actual expenditures being under the budget by \$195. This was primarily due to expending less funds that originally budgeted for education.

Capital Assets and Debt Administration

The Conservation District does not have any capital assets or debt.

Economic Factors and Next Year's Budget

The Directors of the Conservation District considered many factors when setting the fiscal year 2006 budget. One of the factors is the economy. The Conservation District derives approximately half of its revenues from tree sales. The recent economic downturn has resulted in less revenue from tree and seed sales. More patrons are choosing to wait for cost share programs and are less willing to install conservation plans on their own. The State of Michigan may again reduce grants to Conservation Districts due to their budget constraints.

IONIA CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The board realizes, and the reader should understand, that there are not sufficient funds available to consult with every land owner in Ionia County; therefore, the board attempts to spend the public's money wisely and equitably and in the best interest of the land owners and the citizens of Ionia County.

Contacting the Conservation District's Financial Management

This financial report is designed to provide the land owners, citizens and other interested parties a general overview of the Conservation District's finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Conservation District for Ionia County administrative offices at: 431 Swartz Court #300, Ionia, Michigan 48846.

**IONIA CONSERVATION DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
AND STATEMENT OF NET ASSETS
September 30, 2006**

EXHIBIT A

	Modified Accrual Basis	Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 17,986		\$ 17,986
Accounts Receivable	336		336
Inventories	851		851
Due From State	3,840		3,840
	<hr/>		
Total Assets	\$ 23,013	\$ -	\$ 23,013
<hr/>			
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 424		\$ 424
Accrued Wages Payable			-
Sales Tax Payable	15		15
Deferred Revenue--Tree Sales	376		376
Long-Term Liabilities			
Accrued Liabilities (Sick and Vacation)		\$ 1,870	1,870
	<hr/>		
Total Liabilities	815	1,870	2,685
<hr/>			
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balance			
Reserved for Inventory	851	(851)	-
Unreserved/Undesignated	21,347	(21,347)	-
	<hr/>		
Total Fund Equities	22,198	(22,198)	-
	<hr/>		
Total Liabilities and Fund Balance	23,013	(20,328)	-
	<hr/>		
Net Assets			
Unrestricted		20,328	20,328
	<hr/>		
Total Net Assets	\$ -	\$ 20,328	\$ 20,328
	<hr/>		

The Notes to Financial Statements are an integral part of this statement.

**IONIA CONSERVATION DISTRICT
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
September 30, 2006**

EXHIBIT A-1

Fund Balances--Total Governmental Funds	\$ 22,198
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Certain liabilities, such as compensated absences, are not due and
payable in the current period. Therefore, they are not reported
in the fund's statement.

Deduct--Compensated Absences and Other Long-Term Liabilities	<u>(1,870)</u>
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Net Assets of Governmental Activities	<u><u>\$ 20,328</u></u>
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The Notes to Financial Statements are an integral part of this statement.

IONIA CONSERVATION DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
AND STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2006

EXHIBIT B

	Modified Accrual Basis	Adjustments	Statement of Activities
Revenue			
Federal Grants	\$ 4,650		\$ 4,650
State Grants	19,200		19,200
Contributions From Local Units	10,000		10,000
Charges for Services	65,711		65,711
Interest and Rents	221		221
Other Revenues	2,587		2,587
Total Revenue	102,369	\$ -	102,369
Expenditures			
Other General Government	95,058	1,870	96,928
Total Expenditures	95,058	1,870	96,928
Excess of Revenue Over (Under) Expenditures	7,311		
Change in Net Assets		(1,870)	5,441
Fund Balance/Net Assets--Beginning of Year	14,887	-	14,887
Fund Balance/Net Assets--End of Year	\$ 22,198	\$ (1,870)	\$ 20,328

The Notes to Financial Statements are an integral part of this statement.

**IONIA CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED September 30, 2006**

EXHIBIT B-1

Net Change in Fund Balances--Total Governmental Funds \$ 7,311

Amounts reported for governmental activities in the Statement of Activities
are different because:

Reduction of compensated absences has no effect on the governmental funds,
but the repayment reduces long-term liabilities in the Statement of Net Assets.

Subtract --Additions to Long-Term Liabilities for Compensated Absences (1,870)

Change in Net Assets of Governmental Activities \$ 5,441

The Notes to Financial Statements are an integral part of this statement.

IONIA CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
GENERAL OPERATING FUND
For the Year Ended September 30, 2006

EXHIBIT C

	GENERAL OPERATING FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Federal Grants	\$ 2,500	\$ 4,650	\$ 4,650	-
State Grants	19,000	18,560	19,200	\$ 640
Local Units of Government	10,000	10,000	10,000	-
Charges for Services	67,404	65,711	65,711	-
Interest and Rents	-	221	221	-
Other	50	2,584	2,587	3
Total Revenue	98,954	101,726	102,369	643
Expenditures				
Soil Conservation Operations	98,954	95,253	95,058	195
Total Expenditures	98,954	95,253	95,058	195
Excess of Revenues Over (Under) Expenditures	-	6,473	7,311	838
Fund Balance--October 1, 2005	14,887	14,887	14,887	-
Fund Balance--September 30, 2006	\$ 14,887	\$ 21,360	\$ 22,198	\$ 838

The Notes to Financial Statements are an integral part of the statement.

IONIA CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A--DESCRIPTION OF DISTRICT OPERATIONS AND FUND TYPES

The accounting policies of the Ionia Conservation District (District) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Ionia Conservation District:

Reporting Entity

Ionia Conservation District is located in Ionia County and provides services to approximately 60,000 residents in many conservation areas. Ionia Conservation District is governed by a five-member board. The District Board consists of the chair, vice-chair, secretary/treasurer and two directors whom reside in the community.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the records of the District. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Accordingly, there are no other governmental units that are required to be included in the financial statements.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of Ionia Conservation District. There is only one fund reported in the government-wide financial statements.

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial transactions except those provided for in another fund. The fund includes the general operating expenditures of the District. Revenues are primarily derived from grants, county appropriation, tree sales and donations. The fund includes the general operating expenditures of the local unit.

IONIA CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Conservation District.

When both restricted and unrestricted resources are available for use, it is the policy of the Conservation District to use restricted resources first, then unrestricted resources as needed.

Budgets and Budgetary Accounting

Budgets are adopted by the District Board for the General Operating Fund. The budgetary basis of accounting does not differ significantly from the modified accrual basis used to reflect revenues and expenditures for the fund. The budget is adopted at the fund level and control is exercised at the line-item level. The District Board monitors and amends the budgets as necessary.

IONIA CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The budget revenues and expenditures for the general operating fund, as presented in Exhibit C, includes any authorized amendments to the original budget as adopted.

Deposits and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value, when obtained.

Accounts Receivable

At September 30, 2006, the accounts receivable for the District was \$336 which consists of charges for services rendered to others. The District expects to receive payment within one year or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C--LEGAL COMPLIANCE

Budgeted Funds

Public Act 2 of 1968, as amended, requires the legislative body to adopt a general appropriations act for the budget of the General Fund. The act also requires that amendments be approved as needed to prevent actual expenditures from exceeding those provided for in the General Appropriations Act.

The District's budget policy provides for the board to adopt and control the General Fund's budgets at the fund level. During the year ended September 30, 2006, expenditures were in compliance with Public Act 2 of 1968.

IONIA CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE C--LEGAL COMPLIANCE (Continued)

Adoption of Investment Policy

According to Public Act 20 of 1943, as amended, a formal investment policy is to be adopted by the board no later than August 31, 1998. As of September 30, 2006, the board of directors has adopted an investment policy. The policy is not in compliance with GASB Statement No. 40 for custodial, credit, and investment risks.

Adoption of Automated Clearing House Policy (ACH)

Ionia Conservation District electronically transfers funds for payroll withholdings and receives direct deposits with legal authority in accordance with their ACH policy.

NOTE D--CASH AND INVESTMENTS

MCL 129.91 authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The District has adopted an investment policy in accordance with the requirements of Public Act 20 of 1943, as amended. The District's deposits are in accordance with statutory authority. The District Board has designated one credit union for the deposit of District funds.

At year end, the District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and Cash Equivalents	<u>\$ 17,986</u>
Total	<u><u>\$ 17,986</u></u>

The bank balance of the primary government's deposits is \$20,086, which is covered by Federal depository insurance.

IONIA CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE D--CASH AND INVESTMENTS (Continued)

Investments Authorized by the Entity's Investment Policy

The District's informal investment policy only authorizes investment in all those that are authorized by law. The District has limited their investments to certificates of deposit that may extend beyond 1 year. Management has not addressed their exposure to interest rate risk, credit risk, and concentration of credit risk as required by GASB Statement No. 40.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The District has not addressed interest rate risk.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Long-term certificates of deposit do not have a rating provided by a nationally recognized statistical rating organization.

The District has not addressed concentration of credit risk.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the District's formal investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The District has not addressed custodial credit risk.

NOTE E--RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for property, liability, wrongful acts, crime, inland marine, and other risks of loss including workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three (3) fiscal years.

IONIA CONSERVATION DISTRICT
SCHEDULE OF REVENUES
BUDGET AND ACTUAL--GENERAL OPERATING FUND
For the Year Ended September 30, 2006

EXHIBIT D

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Federal Grants				
NRCS Education	\$ 2,500	\$ 4,650	\$ 4,650	-
Total Federal Grants	2,500	4,650	4,650	\$ -
State Grants				
MDA--Operations	19,000	18,560	19,200	640
Total State Grants	19,000	18,560	19,200	640
Local Units of Government				
Ionia County	10,000	10,000	10,000	-
Total Local Units of Government	10,000	10,000	10,000	-
Charges for Services				
Workshops				-
Soil Books	400	170	170	-
Drill	2,500	1,875	1,875	-
Tree Sales	44,704	50,237	50,237	-
Seeds	15,000	7,135	7,135	-
Bulbs		1,960	1,960	-
Other Books	3,000	3,213	3,213	-
Materials for Resale	1,800	1,121	1,121	-
Total Charges for Services	67,404	65,711	65,711	-
Interest and Rents				
Interest Earned		221	221	-
Total Interest and Rents	-	221	221	-
Other				
Donations From Private Sources	50	2,584	2,587	3
Total Other	50	2,584	2,587	3
Total Revenues	\$ 98,954	\$ 101,726	\$ 102,369	\$ 643

IONIA CONSERVATION DISTRICT
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL--GENERAL OPERATING FUND
For the Year Ended September 30, 2006

EXHIBIT E

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
General Government				
Payroll Expenses--Administrator	\$ 32,781	\$32,787	\$ 32,787	-
Payroll Expenses--Education Coordinator				-
Payroll Expenses--Directors	2,750	2,300	2,300	-
Workers' Compensation Insurance	425	406	406	-
Insurance Unemployment	360	324	324	-
IRA Expense	300	325	325	-
Employer Match	2,508	2,634	2,634	-
Supplies	300	55	55	-
Postage	2,150	2,566	2,566	-
Professional Services	3,000	2,840	2,840	-
Drill Expense	2,500	2,711	2,711	-
District Other	1,400	766	737	\$ 29
Equipment Maintenance and Repair	250			-
Printing	2,700	1,155	1,155	-
Education	2,000	1,114	948	166
Advertising and Promotion	1,500	1,077	1,077	-
Mileage	4,000	2,472	2,472	-
Phone				-
Dues	1,250	1,270	1,270	-
District Expense Bank Charges	780	1,837	1,837	-
Shipping and handling		361	361	-
Cost of Goods/Trees Sold	25,000	30,072	30,072	-
Cost of Seed Sold	10,000	2,485	2,485	-
Cost of Books Sold	2,000	3,785	3,785	-
Cost of Bulbs Sold		1,372	1,372	-
Materials for Resale	1,000	539	539	-
Total Expenditures	\$ 98,954	\$95,253	\$ 95,058	\$ 195



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

November 30, 2006

Board of Directors
Ionia Conservation District
431 Swartz Court #300
Ionia, Michigan 48846

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of the Financial Statements Performed in Accordance
With Government Auditing Standards

Dear Directors:

We have audited the financial statements of the Ionia Conservation District, Ionia County, Michigan, as of and for the year ended September 30, 2006, which collectively comprise Ionia Conservation District's basic financial statements and have issued our report thereon dated November 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ionia Conservation District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ionia Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ionia Conservation District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Conservation District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Conservation District's financial statement that is more than inconsequential will not be prevented or detected by the Conservation District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Conservation District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ionia Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted a certain matter that we reported to the management of the Ionia Conservation District in the accompanying Comments and Recommendations as item 06-01.

This report is intended solely for the information of the Ionia Conservation District board of directors, management and others within the Conservation District, State and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

IONIA CONSERVATION DISTRICT
COMMENTS AND RECOMMENDATIONS

OTHER MATTER

Although the following is not considered to be a significant deficiency in internal control, we wish to point out an “other matter” for consideration by the management of Ionia Conservation District.

Investment Policy--Investment Risk Assessments

Finding 06-01

Condition: The Conservation District has not assessed investment risks as required by GASB Statement No. 40.

Criteria: The Governmental Accounting Standards Board adopted GASB Statement No. 40, “Deposit and Investment Risk Disclosures,” an amendment of GASB Statement No. 3. The provisions of GASB Statement No. 40 are effective for financial statements for periods beginning after June 15, 2004.

The GASB Statement No. 40 summary states in part “The deposits and investments of state and local governments are exposed to risks that have the potential to result in losses. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Deposit and investment policies related to the risks identified in this Statement should be disclosed.”

Recommendation: We recommend that the Conservation District formulate an updated investment policy that includes the requirements for GASB Statement No. 40 and have the board adopt the new policy.